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**A Law Shielded Many Texans When the Housing Bubble Burst**

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~~ARE government-imposed limits on borrowing a good thing?

It appears that they have worked wonders in Texas.

Statistics compiled by the National Association of Realtors indicate that in only two of the 20 largest metropolitan areas in the United States have the median prices of homes sold returned to 2006 levels — Houston and Dallas.

Texas would seem to have many advantages over other states. Its unemployment rate has been lower, and high oil prices have helped a principal industry. Home prices rose less there than in many places during the boom, and thus may not have been as inflated.

But a major difference between Texas and other states during the boom was that Texas required any homeowner seeking to refinance a mortgage or take out a [home equity loan](http://topics.nytimes.com/your-money/loans/home-equity-loans/index.html?inline=nyt-classifier) to have at least 20 percent equity after taking out the new loan. Moreover, no one could refinance a home mortgage more often than once a year.

The state was not spared all the excesses of the mortgage boom, said John Fleming, the general counsel of the Texas Mortgage Bankers Association, who also teaches consumer credit law at the University of Texas School of Law. “We had the no-documentation loans, the option-ARM loans and all the others,” he said, referring to loans made to borrowers who did not provide evidence of income or assets, and to adjustable-rate mortgages with low initial interest rates and low required monthly payments.

There were no limits on how much a bank could lend to someone buying a home, and in some parts of Texas, subdivisions sold with easy-credit loans have been devastated by [foreclosures](http://topics.nytimes.com/top/reference/timestopics/subjects/f/foreclosures/index.html?inline=nyt-classifier) since prices fell.

But it was not possible for Texas homeowners to take out all their equity when credit was easy and prices high. As a result, people who bought their homes before prices peaked are less likely to owe more than the home is now worth, and less likely to be forced to sell.

The accompanying charts show the national median sales price for existing homes from the end of 2000 through April of this year, as well as prices in the 20 largest metropolitan areas. The national figure rose in April to the highest level since the summer of 2010, as is indicated in the top chart.

The monthly figures can be volatile, since more homes may sell in higher-priced areas in one month, and more in lower-cost areas in another. To smooth the figures, an average of the median prices for the most recent 12 months is also shown. It, too, has begun to rise.

The Realtors group also calculates median sales prices in many metropolitan areas on a quarterly basis. The charts compare prices in 2006 with the average of the four most recent quarters in the 20 largest areas. Most areas are down sharply. In all likelihood, the declines are caused in part by declines in the housing market and in part by a shift in the mix, so that more lower-priced homes are being sold.

In some markets, the median price is no doubt depressed by the fact that many foreclosed homes, often in poor condition, have come onto the market. It is likely that the Texas areas look better in part because the home equity law — which is in the State Constitution — prevented many homeowners from getting in over their heads.

How did Texas end up with such a law? Mr. Fleming said that when Texas was being settled, its founder, Stephen F. Austin, got the Legislature of Coahuila, the Mexican state that included Texas, to protect land purchasers from having their homes seized to pay off other debts they had incurred. He feared that settlers from the East would otherwise be chased by creditors. Similar provisions have been in every Texas State Constitution.

Until 1997, home equity loans were not legal at all in Texas, to the dismay of banks. In that year, voters approved a provision passed by the Legislature that allowed such loans, but set forth the limits still in force.

Banks are preparing to push to amend the law, Mr. Fleming said in an interview. They say that some homeowners with home equity loans have been unable to refinance high-interest-rate loans because a current appraisal shows their equity is now less than 20 percent.

But there appears to be widespread support for retaining the limit, at least on new home equity loans. There are many people in Texas who might have lost their homes had there been no such limit, and many in other states who might have kept theirs had a similar law been in effect across the country.